

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 EB-07 COME-00 OES-07 STR-04 TRSE-00 OMB-01  
AGRE-00 DLOS-09 EUR-12 /095 W  
-----121316Z 039893 /50

R 120008Z MAY 77

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 3181

INFO AMEMBASSY TOKYO

AMCONSUL AUCKLAND

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DEPART PASS OIF (F411)/NMFS/NOAA/DOC  
TOKYO FOR REGIONAL FISHERIES ATTACHE

E.O. 11652: N/A

TAGS: EALR, ETRD, EFIS, PLOS

SUBJECT: JAPAN-NZ TRADE RELATIONS -- THE MAILED FIST APPEARS

REF: WELLINGTON 1007

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1. ON MAY 6, PRIME MINISTER ROB MULDOON ADDRESSED HIMSELF PUBLICLY TO THE CONTINUING DISSATISFACTION FELT IN NEW ZEALAND TOWARD JAPAN'S TRADING POLICIES. IN OPENING THE NEW ZEALAND TRADE FAIR IN WELLINGTON, MULDOON REFERRED TO HIS VISIT TO JAPAN OF A YEAR EARLIER AND TO THE AGREEMENT IN PRINCIPLE REACHED AT THAT TIME THAT BOTH COUNTRIES WOULD STRIVE TO PUT THEIR TRADE ON A LONG-TERM STABLE BASIS. HE STATED THAT TO DATE THERE HAD BEEN NO CONCRETE OUTCOME FROM THESE EFFORTS DESPITE CONTINUING BILATERAL DISCUSSION OF THE ISSUES. MOST RECENTLY, JAPAN HAD REDUCED BY NEARLY 25 PER CENT ITS QUOTA FOR IMPORTS OF BEEF FOR THE SECOND

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HALF OF 1977 AT A TIME WHEN A BOOST IN JAPANESE DEMAND WAS EXPECTED BY NEW ZEALAND BEEF EXPORTERS.

2. WHILE REAFFIRMING THE VALUE NEW ZEALAND PLACES ON COOPERATION WITH JAPAN IN FISHERIES RESEARCH AND OTHER SCIENTIFIC ENDEAVORS MULDOON ANNOUNCED THAT HE HAD ON MAY 5 - ONLY THE DAY BEFORE - INFORMED THE JAPANESE AMBASSADOR TO

NEW ZEALAND THAT "NO ARRANGEMENTS FOR JAPANESE FISHING INSIDE THE (SOON-TO-BE-DECLARED NEW ZEALAND) 200-MILE ZONE COULD BE CONCLUDED UNTIL PROGRESS HAS BEEN MADE ON ACCESS TO JAPAN FOR NEW ZEALAND FARM PRODUCTS.".

3. ON MAY 10, MR MULDOON DURING HIS FORMAL ADDRESS TO THE 10TH ANNUAL MEETING OF THE PACIFIC BASIN ECONOMIC COUNCIL (PBEC) BEING HELD IN CHRISTCHURCH, NZ, AGAIN ADDRESSED THE SUBJECT OF NZ'S DISSATISFACTION WITH THE FAILURE TO MAKE PROGRESS IN NEGOTIATIONS WITH THE JAPANESE OVER GREATER AND STABLE ACCESS OF NZ AGRICULTURAL EXPORTS TO JAPAN. IN THIS SPEECH, THE MOST FIRMLY-WORDED WARNING YET TO JAPAN, MULDOON AGAIN MADE VERY CLEAR THE EXTENT OF NZ'S DETERMINATION. AFTER MULDOON NOTED THAT LEGISLATION WOULD BE INTRODUCED IN THE NEXT TWO MONTHS OR SO TO ESTABLISH A 200 MILE INCLUSIVE ECONOMIC ZONE AROUND NEW ZEALAND, HE SAID "NO AGREEMENT WILL BE SIGNED WITH ANY JAPANESE FISHING ORGANISATION TILL WE GET AN ASSURANCE OF REGULAR ACCESS FOR OUR FARM PRODUCTS ONTO THE JAPANESE MARKET". REFERRING TO AN EARLIER COMMENT REPORTEDLY EMANATING FROM THE JAPANESE GOVERNMENT THAT IT WOULD HAVE SERIOUS DOMESTIC POLITICAL DIFFICULTIES IN SOLVING THE PROBLEMS CONNECTED WITH GRANTING GREATER AND STABLE IMPORTS OF NZ AGRICULTURAL EXPORTS, MULDOON SAID SIMPLY THAT NZ HAD POLITICAL DIFFICULTIES TOO AND AS WAS THE CASE WITH NZ IT WAS ALSO THE POLITICIANS' JOB OF OTHER COUNTRIES (READ JAPAN) TO SOLVE THEIR DOMESTIC PROBLEMS WHILE MAINTAINING ECONOMICALLY BENEFICIAL INTERNATIONAL RELATIONSHIPS.

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4. MULDOON PICKED HIS AUDIENCE WELL. THE PBEC MEETING IS BEING ATTENDED BY A JAPANESE DELEGATION NUMBERING ABOUT 60 (EXCLUDING WIVES) HEADED BY SIGEO NAGANO, CHAIRMAN OF THE PRIME MINISTER'S COUNCIL FOR FOREIGN ECONOMIC COOPERATION AND PRESIDENT OF THE JAPAN CHAMBER OF COMMERCE AND INDUSTRY. MEMBERS OF THE STAR STUDDED JAPANESE DELEGATION INCLUDE THE MANAGING DIRECTOR OF THE MITSUBISHI CORPORATION, CHAIRMAN OF THE BANK OF TOKYO, PRESIDENT OF THE SUMITOMO CHEMICAL COMPANY, PRESIDENT OF MITSUI AND CO., CHAIRMAN OF THE BOARD OF SONY CORPORATION AS WELL AS THE MANAGING DIRECTOR OF THE OVERSEAS FISHERIES COOPERATION FOUNDATION.  
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5. COMMENT: IN 1974 WHEN JAPAN SUDDENLY GROUND TO A VIRTUAL HALT ITS LARGE AND GROWING AGRICULTURAL IMPORTS FROM NZ (ESPECIALLY OF BEEF AND WOOL, BUT ALSO WOOD AND DAIRY PRODUCTS), FIRST THE LABOUR GOVERNMENT UNTIL THE END OF

1975, THEN THE NATIONAL GOVERNMENT, HAVE BEEN PRESSING THE JAPANESE TO REOPEN THEIR MARKET TO NZ. EACH SUCH EFFORT HAS MET WITH PROMISES OF GREATER IMPORTS - SOON, FOLLOWED BY LITTLE ACTUAL IMPORT INCREASES. THERE IS SOME PRESS SPECULATION THAT AS A NEW TACTIC, MULDOON MAY BE PLAYING THE RUSSIANS OFF AGAINST THE JAPANESE. ONE PART OF HIS SPEECH REFERRED TO NEGOTIATIONS ALREADY UNDERWAY "WITH SOME COUNTRIES WHO WISH TO FISH INSIDE" THE 200 MILE ZONE. THIS WAS TAKEN BY SOME TO INCLUDE THE USSR WHICH TAKES AN ESTIMATED 40,000 (RUSSIAN CLAIM) TO 100,000 (NZ CALCULATION) METRIC TONS OF FISH EACH YEAR FROM WATERS AROUND NEW ZEALAND. THE USSR HAS BEEN PUTTING PRESSURE ON NZ FRO SOME TIME TO CORRECT THE LARGE AND GROWING NZ-USSR TRADE IMBALANCE (IN FAVOR OF NZ). AT LEAST IN THE NEAR FUTURE IT IS HIGHLY UNLIKELY THAT MORE THAN A SYMBOLIC ADJUSTMENT TO THE IMBALANCE WILL BE MADE. WORKING OUT SOME-THING WITH THE RUSSIAN ON FISHING RIGHTS COULD PROVE AN LIMITED OFFICIAL USE

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EFFECTIVE SUBSTITUTE. BUT NZ IS ANXIOUS TO GET A SHARE OF WHAT IS REGARDED HERE AS A POTENTIALLY IMPORTANT JAPANESE MARKET. WHATEVER MIGHT BE UNDER NEGOTIATION WITH THE USSR, IT WOULD SEEM ACCESS TO THE JAPANESE MARKET IS THE FIRST PRIORITY AND THE MAIN OBJECTIVE OF THE PRIME MINISTER'S LATEST STRAIGHT TALK ON NZ'S RELATIONS WITH ITS PACIFIC BSIN NEIGHBORS. WITH NZ'S BALANCE OF PAYMENTS DEFICIT STILL UNSUSTAINABLY HIGH (AND CONTINUING TO GROW), MORE TOUGH TALK TO NZ'S FRIENDS BY THE PRIME MINISTER ON SUCH ECONOMIC MATTERS AS TRADE CAN BE EXPECTED, ESPECIALLY WHERE NZ MIGHT APPEAR TO HAVE SOME BARGAINING STRENGTH. FURTHERMORE IT IS QUITE EVIDENT THAT THIS TYPE OF TOUGH TALK, CRITICIZING TRADE POLICIES OF OTHER COUNTRIES WHICH IMPINGE DIRECTLY ON NEW ZEALAND'S ECONOMIC WELLBEING (AND ITS ABILITY TO OVERCOME ITS CONTINUING STRUCTURAL DISEQUILIBRIUM) IS RECEIVING GENERAL SUPPORT IN NEW ZEALAND. MEDIA EDITORIALS AND COMMENT HAVE BEEN ALMOST UNANIMOUSLY FAVORABLE.  
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